

FREE ENTRY OF SYNTHETIC-RUBBER SCRAP

DECEMBER 12 (legislative day, DECEMBER 4), 1947.—Ordered to be printed

Mr MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 2029]

The Committee on Finance, to whom was referred the bill (H. R. 2029), to provide for the free importation of synthetic-rubber scrap, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

Free importation of scrap or refuse india rubber is now provided under paragraph 1697 of the Tariff Act of 1930. This bill would provide the same treatment for scrap or refuse synthetic rubber, removing the present discrimination between natural and synthetic-rubber scrap, and removing the administrative problem of classifying rubber scrap which contain both natural and synthetic scrap.

Imports of synthetic-rubber scrap are presently dutiable at 7½ percent ad valorem under paragraph 1555 of the Tariff Act of 1930, as modified by the trade agreements with the United Kingdom and Mexico, as "waste not specifically provided for." Prior to the war imports of synthetic scrap were negligible, but recent imports have pointed up the difference in treatment accorded natural and synthetic scrap, both of which are used largely for conversion into reclaimed rubber.

Natural and synthetic scrap are ordinarily collected together, and the process of separating them is expensive and wasteful. On the other hand, if the two types of rubber scrap are imported in the same lot without being separated, the whole lot may be assessed the 7½ percent ad valorem duty.

Recent imports of synthetic scrap have been practically all across the border from Canada, amounting, according to the Tariff Commission, to 500 tons in 1945, 800 tons in 1946, and 700 tons in the first 3 months of 1947. This compares with a current domestic consumption of natural and synthetic-rubber scrap of approximately 400,000 tons a year. Due to its bulk, transportation charges are a high

proportion of the cost of rubber scrap, so it is not anticipated that removal of the duty on synthetic scrap will stimulate excessive imports.

Since it is reasonable to accord identical treatment to both natural- and synthetic-rubber scrap and since such identical treatment will remove administrative difficulties and expenses for both the Government and for importers, your committee recommends enactment of H. R. 2029.

The report of the House Committee on Ways and Means on H. R. 2029 was as follows:

GENERAL STATEMENT

The bill provides for the free entry of synthetic-rubber scrap along with natural-rubber scrap which is now permitted free entry under paragraph 1697 of the Tariff Act of 1930. In making this provision, the bill removes an inevitable discrimination arising under existing law between these two types of rubber. In addition it would remove a serious administrative handicap in the classification of scrap rubber which contains both natural and synthetic rubber.

There is no technical or economic reason why natural- and synthetic-rubber scrap, both of which are used in the manufacture of reclaimed rubber, should be treated differently with respect to their importation. Furthermore, the administrative difficulties encountered at present in the separation of synthetic- from natural-rubber scrap, are wasteful both as to time consumed and costs of shipments.

Synthetic-rubber scrap and natural-rubber scrap are frequently shipped into the United States in the same consignment. Unless the two types are separated by the shipper, and this may not always be possible, spot checks are made to determine the presence of synthetic-rubber scrap. If such scrap is found in a mixed shipment, the entire lot may be assessed the 7½ percent ad valorem duty imposed on "waste, not specially provided for" under paragraph 1555 of the Tariff Act, as modified by the trade agreements with the United Kingdom and Mexico. Prior to these agreements the rate as fixed in the act was 10 percent.

Scrap rubber consists of all worn, used, or defective rubber products which have been discarded as unsuitable for the original use. The rubber scrap is generally collected by junk dealers who classify the scrap according to kind (tire casings, tubes, boots and shoes, etc.). Junk dealers sell through a waste-materials broker who ships to large traders, or specialists in scrap rubber, who in turn sell to the rubber-reclaiming plant. The rubber reclaimers sometimes operate their own purchasing agency and buy direct from the junk dealers.

By far the largest part of the scrap rubber collected is in the form of used tires and inner tubes. Importations of scrap rubber come from many sections of the world, principally from Canada, the United Kingdom, and continental Europe. During the war, large amounts of scrap were made available through war damage, and a substantial part of this scrap consisted of synthetic rubber or mixtures of synthetic and natural rubber. Some of this originated in the United States and would be entitled to free entry if it could be proved that it was of United States origin. This, of course, is impossible in most cases.

In prewar years, imports of scrap rubber amounted to about 4,000 long tons annually and was valued at an average of about a quarter of a million dollars per year. In 1942 and 1944, imports were much larger than usual because of the drives for scrap rubber. The following table indicates United States imports during the period 1930-46 and for the first 3 months of 1947.

Scrap rubber—United States imports, 1930-46 and January-March 1947

Year	Imports for consumption		Principal sources
	Quantity	Value	
	<i>1,000 long tons</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>
1931.....	4.2	110	Canada, 49.5; United Kingdom, 33.
1932.....	2.7	55	United Kingdom, 27; Canada, 20.
1933.....	3.1	54	Canada, 27.5.
1934.....	4.4	86	Canada, 52.
1935.....	3.9	107	Canada, 55; United Kingdom, 17.
1936.....	5.9	232	Canada, 152; United Kingdom, 58.
1937.....	6.1	440	Canada, 123; France, 131; United Kingdom, 59.
1938.....	3.3	130	Canada, 62; United Kingdom, 21.
1939.....	5.1	229	Canada, 65; United Kingdom, 83.
1940.....	4.1	132	Canada, 133; United Kingdom, 60.
1941.....	8.7	439	Canada, 353.
1942.....	24.2	2,559	United Kingdom, 2,575; Canada, 180.
1943.....	2.4	115	United Kingdom, 54; Canada, 12.
1944.....	14.4	435	Canada, 421; United Kingdom, 13.
1945 ¹	13.4	435	Canada, 447; United Kingdom, 29.
1946 ¹	7.8	539	Canada, 241; United Kingdom, 18.
January-March 1947 ¹	1.3	71	Canada, 45; United Kingdom, 18.

¹ Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

The United States exports a considerable quantity of scrap rubber although the exports are generally of a somewhat different type from the imports. Under the program of increasing United States exports of as many products as possible during the late 1930's, Germany and Japan acquired many thousands of tons of scrap rubber from the United States. This, of course, depleted the American supply so that during the war an acute shortage was felt.

Much of the difficulty now encountered by importers and by the Government in the separate classification of synthetic- and natural-rubber scrap would be removed by this legislation.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, and existing law in which no change is proposed is shown in roman):

"THE TARIFF ACT OF 1930

"(Free list)

"PAR. 1697. India rubber and gutta-percha, crude, including jelutong or pontianak, guayule, gutta balata, and gutta siak, and [scrap or refuse india rubber] *scrap or refuse india or synthetic rubber and gutta-percha fit only for remanufacture.*"

